

VZCZCXRO4626
RR RUEHLN RUEHVK RUEHYG
DE RUEHDBU #0106/01 0170834
ZNR UUUUU ZZH
R 170834Z JAN 08
FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC 0119
INFO RUCNCIS/CIS COLLECTIVE
RUEHNE/AMEMBASSY NEW DELHI 0010
RUEHIL/AMEMBASSY ISLAMABAD 0025
RUEHBJ/AMEMBASSY BEIJING 0005
RUEHBUL/AMEMBASSY KABUL 0030
RUEAIIA/CIA WASHDC 0012

UNCLAS SECTION 01 OF 02 DUSHANBE 000106

SIPDIS

SIPDIS
SENSITIVE

DEPT FOR SCA/CEN

E.O. 12958: N/A
TAGS: [PGOV](#) [ECON](#) [TI](#)
SUBJECT: DUSHANBE CONSUMERS TAKE A HIT

REF: 2007 DUSHANBE 1760

11. (SBU) Summary: While food shortages and lack of power hit rural areas of Tajikistan hardest, the Government has tried to spare Dushanbe these difficulties, to avoid unrest close to the center of power. This winter is the coldest in decades. While freezing temperatures and snow persist, years of shortsighted economic mismanagement and rising world food and fuel prices have brought the hardships of the countryside to the capital in the form of power and fuel shortages and much higher food prices. End summary.

12. (SBU) The first 40 days of winter, the "Chillai Kalon" (or big 40 days of cold) ended on January 10, and now Tajiks prepare for the second 40 days, the "Chillai Khurd" (or Small 40 days of cold). The first half of winter was marked by two major holidays associated with doubled or tripled food prices, Id-Al Fitr and Idi Qurbon. The second half of winter seems, so far, to be one of high prices without holidays to ease the blow. These price increases illustrate Tajikistan's extreme vulnerability to trade disruptions and world price fluctuations. This vulnerability in turn is the result of non-diversification of the economy, this due to government neglect.

Power Rationing in the Capital

13. (SBU) Since independence in 1991 and the ensuing collapse of the Soviet power grid, electricity has been in short supply every winter in Tajikistan from November to April, as hydropower reservoirs run low. Tajikistan exchanges much of its excess electricity production in summer months with Uzbekistan, and in return receives Uzbekistani excess power in the winter. However, this does not cover the winter production-demand gap. Even newly negotiated supplies from Turkmenistan (via Uzbekistan) would come nowhere near to closing the gap. Kyrgyzstan, a smaller supplier to the Tajik grid, has also reduced supplies this year. In response, Tajikistan has reduced electricity to regions outside Dushanbe to 2-5 hours per day. In the capital, chronic outages, scheduled and unscheduled, are the worst in years.

14. (SBU) Projects to bring additional generating capacity on line have faced repeated delays. Bickering over financing and ownership terms has delayed the huge Rogun project for years; its site sits idle and many years from completion. The Sangtuda 1 hydropower project was supposed to begin test operations in December, but technical problems have delayed its startup. As a result, no significant new generating capacity is in sight for this winter. Even when/if these mega-projects come on line, their commercial viability will depend mostly on exports or aluminum production. It's not clear how much of their output would go toward domestic household consumption.

15. (SBU) The cities of Dushanbe and Khojand are the places most vulnerable to electricity disruption, as most of their inhabitants rely exclusively on electrical energy. (Rural areas can, in some cases, fall back on coal or wood.) In cold weather, this leads to overloading of power distribution systems, causing failures and blackouts at the coldest times. Power rationing began in Dushanbe in November, despite previous Government assurances that the capital would be spared. About forty percent of Dushanbe is now without power for several hours each day. Street lights in the city have been switched off, leaving the roads completely dark at night, except for cars speeding through the fog.

16. (SBU) People are blaming the government, and the usually stoic press is even publishing complaints and articles critical of the government. There has been public discussion of the need to close schools, as they are too cold to use; the education ministry has so far rejected this measure. The connection between the public's suffering and the government's desire for more revenues is also evident in rumors surrounding the cutoff of power for several days in December at Dushanbe's main train station. Although considered a strategic object, the station and surrounding area were without power, giving rise to the rumor that the electricity was disconnected to export more power to Afghanistan.

17. (SBU) An opposition political party has called for the government and the parliament to take measures to resolve the energy crisis, saying that authorities are not able to provide power to hospitals and maternity houses and alleging that this has caused the death of newborn babies. Opposition politicians argue that the best short term measure would be to reduce electricity supplies to the massive Tajik aluminum plant, which consumes about forty percent of Tajikistan's peak electricity production and is the country's

DUSHANBE 00000106 002 OF 002

largest earner of foreign exchange. On January 16 President Rahmon called for diverting some power from Talco to public use.

Food Price Increases

18. (SBU) Reftel described increasing food shortages in rural areas of Tajikistan. Food in Dushanbe, while not in short supply, has increased dramatically in price since last fall, from 20 to 100 percent. Most food is imported -- overall Tajikistan imports close to ninety percent of its food items, making it one of the world's least food-secure countries and very vulnerable to current increases in world food prices. This is at the same time that the government has diverted funds from the central bank to shore up the failing cotton sector, and had local officials force farmers to grow cotton.

Now with the Central Bank pleading for an international bailout to repay its cotton debts, the Government is pressuring private banks to step in and continue non-market based financing of cotton growing. This will benefit cotton investors close to the President, but will help keep the majority of Tajik farmers in cotton-based servitude, and will help ensure that Tajik consumers continue to face higher food prices and narrower choice of products.

19. (SBU) Combined with onerous customs regulations in central Asia, bad transport infrastructure, winter supply disruptions, and the unpredictable political mood of neighboring Uzbekistan, Tajik consumers are in a tight spot this winter. The main source of finance for imported food is the remittances from labor migrants in Russia and Kazakhstan.

110. (SBU) According to the resident IMF representative, in 2007 price inflation reached twenty percent. It is rumored to be even higher. The IMF Director recently told local media that inflation in Tajikistan increased sharply since July 2007. This was mainly due to the increase in prices of food stuffs including wheat flour. Wheat flour is the largest contributor to the consumer price index in Tajikistan -- about fifteen percent -- and is all imported. The IMF representative called for diversification of agricultural production to keep prices stable, saying that prices could be lower in Tajikistan if farmers had freedom of choice on what to grow.

Instead, he noted, the Government trumpeted results of the cotton harvest, perpetuating Soviet-style cotton quotas.

Gasoline Prices Spike

¶11. (SBU) Tajik drivers depend on imports of refined petroleum products, mostly originating in Russia, and all coming via Uzbekistan. In December the price of gasoline increased almost overnight from 2.3 Somonis per liter to 4 Somonis per liter. Taxis and the minibuses doubled their fares and became hard to find, and traffic overall was down noticeably. Up to half of Dushanbe's filling stations ran out of gas because drivers made a run on gasoline in fear of further increases. Now the price of gasoline is down to 3.5 Somoni liter, still well above its earlier level.

¶12. (SBU) Comment: The Government of Tajikistan's failed and negligent economic policies have begun to have a strong impact in the capital city, Dushanbe. Many young Tajiks experiencing this neglect and corruption firsthand are paying less attention to the warnings of their parents' generation to avoid protest at all cost to preserve stability. The memories of Tajikistan's bloody civil war - the fighting ended by 1993 in Dushanbe -- seem much less immediate than the freezing temperatures and high fuel and food costs. In addition, many thousands of migrant workers home from Russia for the slow winter non-working season can see the sharp contrast between Tajikistan's political economy and the relatively efficient and open Russian system. While the current difficulties are unlikely to lead directly to unrest, they will add significantly to the accumulation of discontent with the administration of President Rahmon. End Comment.

HUSHEK